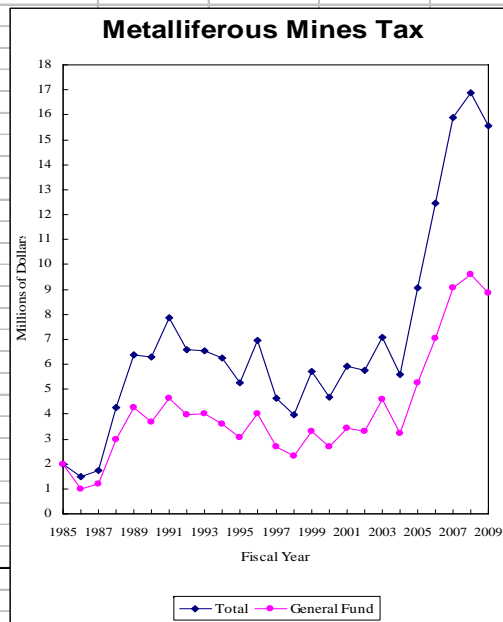


		Total	General Fund	GF
Fiscal		Collections	Collections	Percent
Year		Millions	Millions	Change
A 1985		1.977324	1.977324	Not App.
A 1986		1.479993	0.989852	-49.94%
A 1987		1.756121	1.211030	22.34%
A 1988		4.248913	2.961778	144.57%
A 1989		6.355005	4.257531	43.75%
A 1990		6.306356	3.664579	-13.93%
A 1991		7.855130	4.638654	26.58%
A 1992		6.595466	3.965609	-14.51%
A 1993		6.521077	4.030946	1.65%
A 1994		6.229683	3.613074	-10.37%
A 1995		5.259335	3.050414	-15.57%
A 1996		6.941131	4.025856	31.98%
A 1997		4.648563	2.696167	-33.03%
A 1998		3.977699	2.306801	-14.44%
A 1999		5.700013	3.305971	43.31%
A 2000		4.661371	2.703031	-18.24%
A 2001		5.923752	3.417475	26.43%
A 2002		5.740242	3.329340	-2.58%
A 2003		7.055900	4.586335	37.76%
A 2004		5.572191	3.231871	-29.53%
A 2005		9.076338	5.264276	62.89%
A 2006		12.435000	7.028000	33.50%
F 2007		15.873000	9.048000	28.74%
F 2008		16.865000	9.613000	6.24%
F 2009		15.557000	8.867000	-7.76%



Data

Mining companies are surveyed for anticipated production levels, general indications of applicable metal prices, and any possible changes in production due to expansion or contraction. Historical and future prices are obtained from various sources depending on the metal. Common sources include COMEX, NYMEX, and KITCO. In addition, a review is performed of historical trends, current literature on metals and metal prices, and companies' 10-Q reports. Data from biannual reports produced by DOR provide a history of production and prices by commodity and taxable gross value for each mining company. These companies are:

- Golden Sunlight
- Stillwater Mining
- Montana Tunnels
- Montana Resources
- Hallet Minerals
- ORO Management
- Genesis

Analysis

The taxable value of metals is determined in a four-step process:

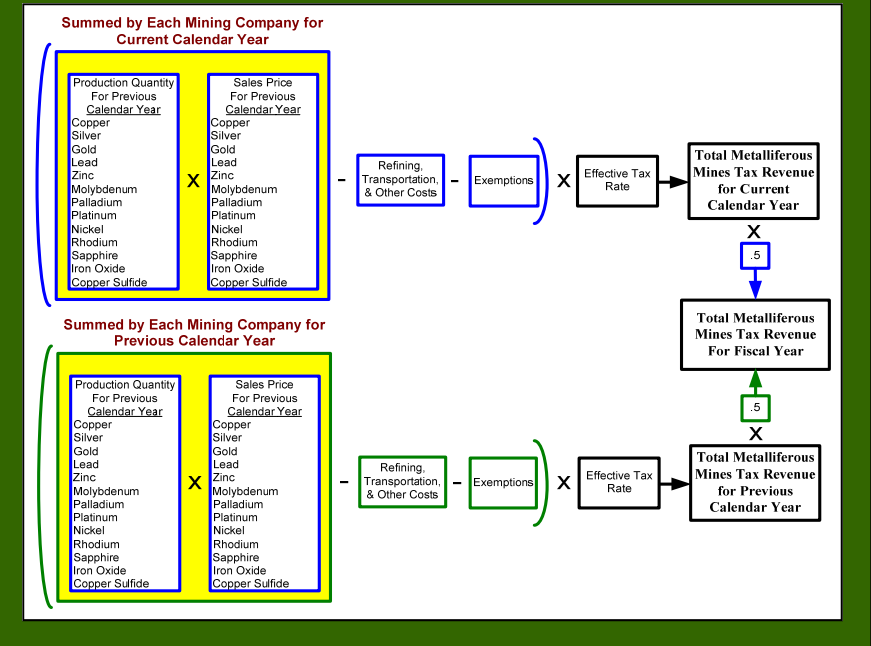
- As reported on the survey, future metals production for each company is summed by commodity. Amounts may be adjusted to fit with historical trends or if major changes are expected from historical production.
- To determine the future price for each metal, a number of different techniques are used depending on the commodity and the reasonableness of future prices based on research of the literature and directions of future markets.
 - Copper, gold, silver, palladium, platinum - the price reported from the most recent half-year report is increased by the percentage growth for that year as shown on the futures market.
 - Lead, zinc, rhodium, nickel – the price for the last known calendar year is used for all future years.



- Molybdenum – Market prices reached a peak of \$40 in May 2005. Forecasts by Phelps Dodge indicate a drop in the fourth quarter to around \$24. The estimates use \$22.50 for each year which is the price reported for the first half of calendar 2006.

- The estimated production amount for each metal for all companies is summed and multiplied by the estimated price for that metal. This is done for each metal and the products summed to yield a total gross value.
- Total taxable value is obtained by reducing the total gross value by: a) the tax exempt amount of \$250,000/year for each company; and b) allowable treatment, refinery, transportation, and other costs.

Forecast Methodol-



LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

The Legislative Fiscal Division

Presents

Taxes in Brief...

Metalliferous Mines Tax

November 2006

Fiscal Pocket



Revenue Description:

The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. Senate Bill 30, enacted in the August 2002 special legislative session, revised the payment of taxes from once to twice a year. The first \$250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.



Legislative Fiscal Division
Revenue & Taxation Policy
Room 110, State Capitol
Helena, MT 59620-1711
(406) 444-2986

Statutory Reference:

Tax Rate (MCA) – 15-37-103

Tax Distribution (MCA) – 15-37-117

Date Due – August 15th for period January through June, March 31st for period July through December (15-37-105)

Applicable Tax Rate(s):

The tax rate for a 6-month period is as follows:

Gross value is defined as monetary amounts or refined metal received for the products less:

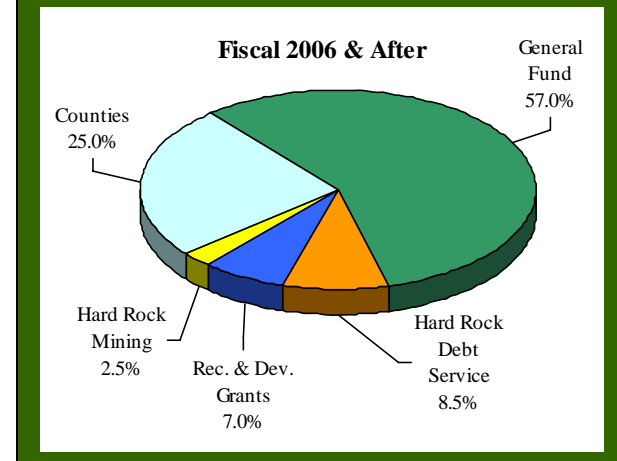
- Basic treatment and refinery charges
- Transportation costs from the mine to a mill or other processor
- Quantity and price deductions
- Interest
- Penalty metal, impurity and moisture deductions

Distribution:

The distribution of the metal mines tax has been altered several times since the 1990s. Prior to the 2005 legislature, the most recent change had been enacted by the 2001 legislature in Senate Bill 484 (effective July 1, 2002) that created a hard-rock mining reclamation debt service fund to pay debt service on the \$8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5 percent allocation of metalliferous mines tax revenue previously allocated to the orphan share account was allocated to the hard-rock mining reclamation debt service fund. The 2005 legislature increased the allocation to counties from 24 percent to 25 percent and decreased the general fund allocation from 58 percent to 57 percent. The chart shows current distributions of the tax revenue.



Distribution Methodology:



Collection Frequency: Biannually

% of Total General Fund Revenue:

FY 2004 – 0.23%

FY 2005 – 0.34%

FY 2006 – 0.41%

Revenue Estimate Methodology:

The metalliferous mines tax is applied to the taxable gross value of production. The metalliferous mines tax estimate is developed by estimating the annual sales price for each type of metal produced and the anticipated production quantity of each metal by company. From these estimates, taxable gross value can be determined to which an effective tax rate is applied. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.